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Answers to Questions from George Stephanopoulos' Briefing Thursday, May 20

David Watkins has no financial interest in World Wide Travel. World Wide was a client of Mr. Watkins at a time when he worked in advertising.

On Wednesday, May 12 David Watkins reported travel office irregularities to the White House Counsel's office and asked how to proceed with an investigation.

Associate Counsel Bill Kennedy asked the advise of the FBI on Thursday, May 13. Counsel then advised an independent audit to Watkins.

An independent review began on Friday morning May 14. The auditors reported back to the Administration office periodically throughout Friday and Saturday.

The FBI was at the White House on Saturday, May 15 for approximately 45 minutes to hear the preliminary results of the independent auditors.

FBI advised proceeding with the review and the report will be presented to them when it is complete.

Does Withers have financial relationship?

financial relationship

FBI

How long was the FBI here?

Salvadoran

Cost of Paul Mannuel

<u>The President Haircut Points</u>

* The Clinton's have a personal relationship with Christof and they always pays for his services.

* The President did not get his haircut in New Mexico.

* There was no hold placed on air traffic during AF1 being on tarmac.

* SOP was placed on 10 minutes

* Standard operating procedures place a 10 minute hold on all air traffic right before AF1 actually takes off.

* President Clinton has an office and does work on Air Force One--reads material, makes phone calls etc.

* President Bush often would travel the night before an event and have dinner and sleep over. (There are costs).

* There were 110 LA police officers on overtime while the plane was on the tarmac.

* The engines were not turning so no fuel costs.

* There was air conditiong and other life support systems operating that would have some additional costs but nothing that can be quantified.

* 3 press buses were held at the gate and were not let on the tarmac because the President was already there.

* No additional costs other than the police--**but there are always delays and time overruns.**

Tower Manager
is saying no
hold was placed

—

TALKING POINTS ON BOREN-DANFORTH

Finally, we see some of what an alternative would look like. Since $114 billion are only hypothetical one can't see the whole picture. But we can make some comparisons:

THE CLINTON/GORE PLAN:

* The Clinton package cut $496 billion from the deficit, with $255 billion in spending cuts and $241 billion in tax increases. Included in the spending cuts, were $100 billion in entitlement caps

* There are three dollars in spending cuts for every dollar in new investments.

* 75% of the taxes fall on the top 6% according to the CBO. The plan we had was tough, but it was fair. The only tax that affected middle class America was a BTU tax. Yet, we increased the Earned Income Tax Credit to benefit 10 million working families. It is does not even take affect until the summer 1994. When it does, it is phased in three years. It would cost the average family

THE BOREN-DANFORTH ALTERNATIVE:

* They acknowledge that the Clinton plan has significant net spending cuts. They say the Clinton plan has $174 billion in net spending cuts, while the actual number is $255.

* They claim to cut $122 in taxes, while adding $163 billion in spending cuts.

But lets look closer:

* Only $49 billion of the $163 billion are specified. And look at the details of that $49. Nearly half of it is a cut in Social Security benefits for 27 million middle class Americans, who now find that if they get $7,200 in benefits to live on, some in Washington believe they should have their COLAs cut.

* Another $15 billion is cut in the Earned Income Tax Credit, which benefits 14 million working families trying to stay above the poverty line.

* If that is what they specify, you can only wonder what is behind the $114 billion in entitlement cuts that lie behind the savings they claim to get from a cap. If the President lays out over $50 billion in specific Medicare cuts and $100 billion in specific overall entitlement cuts -- why can't they also be specific? It is because most might come from the 34 million Medicare recipients, who would get less

without getting a new health care system? Or maybe they take it all from Medicaid, thereby hurting not only poor people, but putting significant pressure on cities and states to raise sales and property taxes. And taking these cuts here, would make it nearly impossible to pay for a new health care plan. The other main targets are veterans, disabled veterans and farm programs, which we have already cut significantly.

* Furthermore, an inflexible entitlement cap could jeopardize rational attempts in health care reform to control spending.

EXAMPLE OF WHAT THEY CUT AND WHAT THEY PAY FOR

If you want to know the type of choices this plan makes, consider the three choices they make:

1. **TAX CUT:** They cut $29 billion in deficit reduction by lowering the Medicare increase on individual making over $130,000.

   HOW THEY CUT: They have to pay for most of it by cutting the Social Security benefits of 27 million Social Security recipients who have benefits of over only $7,200 a year.

   23

2. **TAX CUT:** A across-the-board capital gains tax cut, on top of the new one the President has already proposed. This will benefit the wealthiest Americans overwhelmingly without ensuring that it is targeted to job creating small businesses.

   17

   HOW THEY PAY FOR IT: They cut $15 billion from the Earned Income Tax Credit, a program that goes to 14 million working families in danger of being below poverty line.

3. **TAX CUT:** They get rid of the energy tax. This is a cost to people. Yet, our energy tax has holds harmless families under $30,000. It does not even start until July 1994. It phases in over three years after that, costing the average family making $40,000 $1 in 1994, $7 in 1995 and $17 when fully phased in during FY1997.

   HOW THEY PAY FOR IT: This is paid for with $114 billion unspecified entitlement cuts. Whose going to pay for this. Most might come from the 34 million Medicare recipients, who would get less without getting a new health care system? Or maybe they take it all from Medicaid, thereby hurting not only poor people, but putting significant pressure on cities and states to raise sales and property taxes. And taking these cuts here, would make it nearly impossible to pay for a new health care plan. The other main targets are veterans,

- **Points of attack on benefit package**
  - No gradual phase–in for non–insuring businesses
  - Higher national health costs requiring substantial direct spending by government and/or the business sector.

disabled veterans and farm programs, which we have already cut significantly.

ADDITIONAL BACKGROUND ON BOREN-DANFORTH

- This cap will potentially hit these programs.

  Social Security
  Medicare
  Medicaid
  Military and Civilian Retirement
  Disability (SSI)
  Food Stamps
  Family Support
  Veterans Pensions
  Child Nutrition
  Guaranteed Student Loans
  Unemployment Compensation
  Veterans Benefits
  Farm Price Supports
  Title XX Social Services

- The Administration has already proposed substantial cuts in entitlement spending.

Medicare savings	-$48.0 billion
Medicaid savings	-$8.3 billion
Agriculture programs	-$3.0 billion
COLA delays for military retirees	-$2.3 billion
COLA delays for civilian retirees	-$.8 billion
End Lump Sum retirement benefit for Federal employees	-$8.8 billion
Pay restraint and other reductions for Federal workers	-$49.6 billion
Veterans programs	-$2.6 billion

Health Care spending is the fastest rising entitlement program, this will be dealt with in Health Care Reform. Furthermore, an inflexible entitlement cap could jeopardize rational attempts in health care reform to control spending.

$50 billion of the taxes they cut, are taxes that are nearly exclusively for upper income Americans -- those with incomes of well over $100,000.

BIPARTISAN DEFICIT REDUCTION PLAN

The Bipartisan Deficit Reduction Plan would reduce the deficit by cutting more than $2 of spending for every $1 of tax increases. This plan would replace $122 billion in proposed new taxes with spending cuts, while cutting an additional $41 billion. This plan increases taxes by only $150 billion and completely removes the additional tax burden from lower- and middle-income Americans by eliminating the energy tax.

SPENDING CUTS

$174 billion -- Clinton spending cuts

$114 billion -- Net savings from entitlement cap

$15 billion -- Reduction in Earned Income Tax Credit

$23 billion -- COLA Proposal

$11 billion -- Eliminate changes previously by regressivity in budget resolution

= $337 BILLION TOTAL SPENDING CUTS

TAX PROPOSAL

The Bipartisan Deficit Reduction Plan would decrease taxes by:

$71.5 billion -- Eliminate the BTU tax and Import Fee proposal

$.5 billion -- Eliminate increase in Inland Waterways Fuel tax

$9 billion (estimate) -- Change effective date of corporate and individual tax increases from January 1 to June 30, 1993

$29 billion -- Eliminate repeal of hospital insurance wage base cap

$12 billion -- Index capital gains prospectively

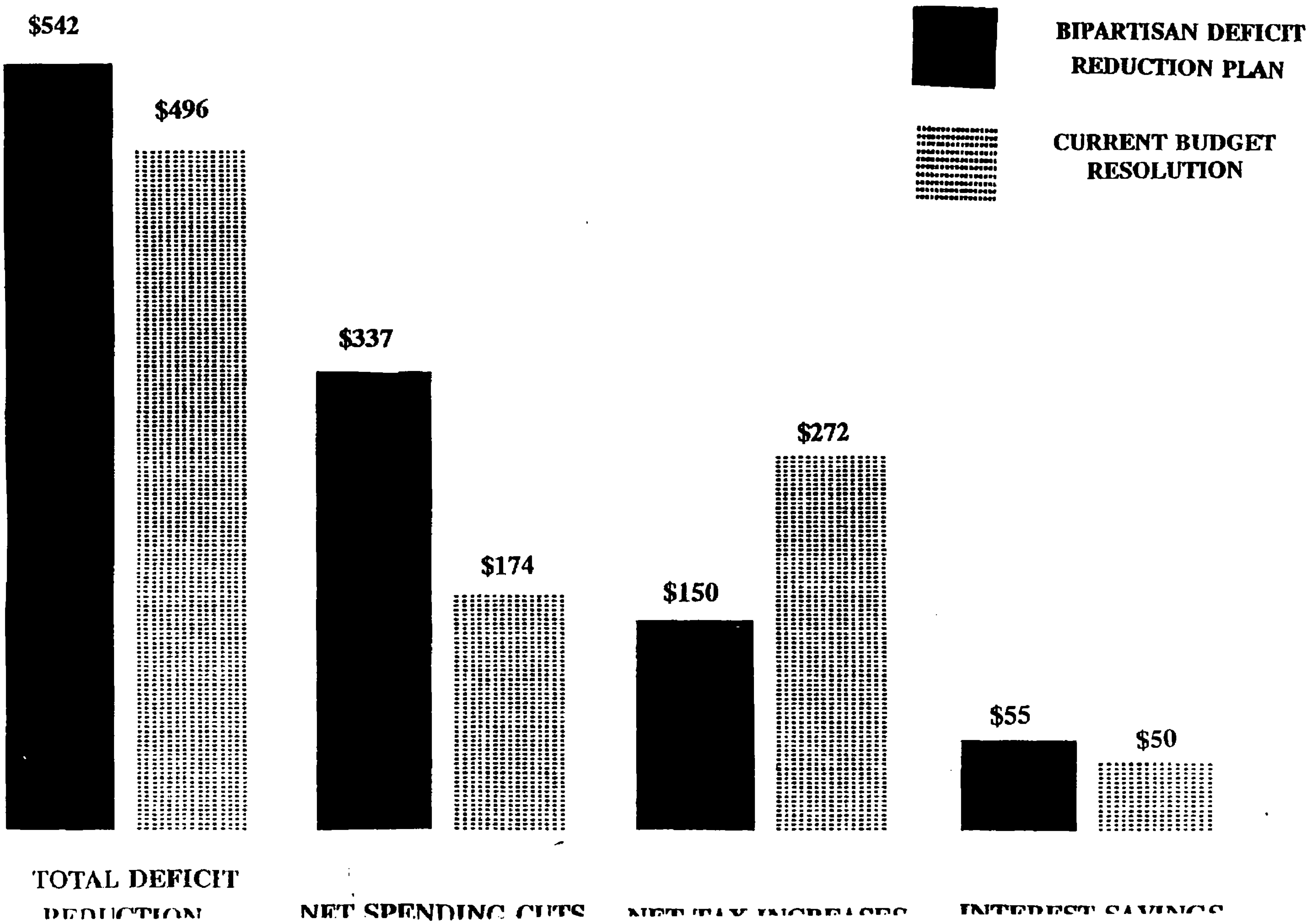
= $122 BILLION REDUCTION IN TAX INCREASES

Only 22% of the deficit reduction in this plan can be traced to tax increases.

The ratio of spending cuts to tax increases is 2.2:1, exceeding the current budget's ratio of 1:1.

BIPARTISAN DEFICIT REDUCTION PLAN VS. CURRENT BUDGET RESOLUTION

(IN BILLIONS)



COMPARISON OF BUDGET RESOLUTION TO BIPARTISAN DEFICIT REDUCTION PLAN

	Resolution (CBO Projections)	Bipartisan Plan
Net Tax Increases	$272 billion	$150 billion
Net Spending Cuts	$174 billion	$337 billion
Interest Savings	$ 50 billion	$ 55 billion
Deficit Reduction	$496 billion	$542 billion

EXPLANATION OF THE TAX CHANGES

1. **Elimination of the BTU tax and import fee.**

   The BTU tax is the only tax in the Clinton proposal that affects lower- and middle-income Americans. It also harms the competitiveness of U.S. businesses and disastrously impacts the agricultural industry. The import fee was added to the BTU tax by the House Ways and Means Committee in an attempt to ameliorate the negative effect of the tax on competitiveness. It would no longer be necessary with the elimination of the BTU tax.

2. **Eliminate Inland Waterways Fuel Tax.**

   The House Ways and Means Committee raised this tax 50 cents. The barge industry was asked by the administration to shoulder a 525 percent increase in the tax on fuel. The cost of the tax would be passed through and severely impact industries that help to reduce the trade deficit through their exports. Increased transportation costs for the agriculture sector would trigger more outlays through price support programs than would be brought in by revenue from the tax. The barge industry already pays for new construction on the public waterways through a gas tax scheduled for an increase in two years.

3. **Change Effective Date of Corporate and Individual Tax Increases from January 1, 1993 to June 30, 1993.**

   The administration would have imposed the increase in the tax rates retroactively to the first of the year. Given the weakness of the economic recovery, the Senators believed it better to change the effective date so that tax increases would not occur until close to the date of the enactment of the Budget Reconciliation. Upper-income and corporate taxpayers would pay a blended rate in 1993, and they would pay the full increased tax rate thereafter.

4. **Repeal the elimination of the HI Wage Base Cap.**

   The administration would have removed the $135,000 cap on the amount of income subject to the Medicare Hospital Insurance Tax. This provision unduly harms the self-employed. Since self-employed persons pay both halves of the tax, the increase in their marginal tax rate would have been significant. Moreover, all the trade or business income of partnerships or sole proprietorships is subject to the tax, rather than just the employee's salary.

ENTITLEMENT CAP PROPOSAL

The Bipartisan Deficit Reduction Plan would establish a cap on the non-Social Security entitlement programs within the jurisdiction of the Finance Committee. The cap will require Congress to restrain the skyrocketing growth of entitlements. It will go into effect in Fiscal Year 1995.

The entitlement cap will allow entitlement spending to grow at the rate of inflation plus population growth plus an allowance of 3 percent in Fiscal Year 1995, 2 percent in Fiscal Year 1996, 1 percent in Fiscal Year 1997, and no additional allowance thereafter. This proposal would result in savings of $170 billion over five years.

The enforcement mechanism would be program-specific. Were a program responsible for an increase over the target rate, then the enforcement mechanism would apply only to that program. This savings from all programs would be aggregated, however, to determine whether the growth in programs had met the requirements of the entitlement cap.

The proposal would also allow the Committee 60 days to make programmatic changes in the offending program. Thus, the proposal implements a mechanism by which the Committee, with its expertise in this program, could make changes warranted by policy. A sequester would occur only if the Committee does not act responsibly to keep the program growing only at or below the target rate.

The Bipartisan Deficit Reduction Plan contains specific recommendations supported by the Senators to allow programs to meet the entitlement cap. To ensure that these changes, or other changes sufficient to yield the requisite savings, are made, the proposal states that the provisions of the Reconciliation bill will not become effective until after Congress adopts the specific programs necessary to reach the level of the cap.

5. **Index Capital Gains Prospectively.**

This proposal is designed to eliminate the tax on capital gains solely related to inflation. A corporate or individual taxpayer could elect at the time of sale either 1) to pay tax on the full gain at the lower capital gains rate of 28%; or 2) to index the basis of the asset to reflect inflationary gains at the ordinary rate. This proposal would apply to sales after January 1, 1993, and indexing would apply after January 1, 1993.

COLA PROPOSAL

The Bipartisan Deficit Reduction Plan proposes a COLA provision on all civilian and military annuities and on social security benefits. It is designed that so the first $600 of monthly benefits will receive a full COLA, but monthly benefits above $600 will receive a COLA of CPI minus 2 percentage points. $600 is the poverty threshold for an elderly person, and it would be indexed to maintain its value over time.

For example, a recipient of $800 in monthly benefits would receive her full COLA on $600 and a COLA of CPI minus 2 on $200. It will be in effect for five years, from Fiscal Year 1994 until Fiscal Year 1998.

The COLA proposal will save $22.7 billion over five years, according to the Congressional Budget Office. $13.6 billion of that savings occurs in programs under the jurisdiction of the Senate Finance Committee.

Q: What can you tell us about Secretary Christopher's meeting with Foreign Minister Kozyrev today?

A: -- Secretary Christopher and Minister Kozyrev met for an hour this morning, and had a good and substantive discussion. They then asked their respective delegations to continue the discussions, which are still going on.

-- Secretary Christopher and Minister Kozyrev are expected to meet again late this afternoon, and will be available afterward.

(FYI: Coming out of the meeting with Christopher, Kozyrev told the press that the discussions with Christopher were helping to "forge joint actions" and that the two parties were "coming to convergence.")

Q: What can you say about the meetings? How is the Administration reacting to the Russian/European three-point program of sending troops to monitor the Serbian/Bosnian border, protecting the safe havens, and passing a U.N. resolution on war crimes?

-- Secretary Christopher's consultations with Kozyrev are part of an on-going process of consultations, to be followed up with consultations tomorrow with Douglas Hurd tomorrow and French Foreign Minister Juppe on Monday. I am not going to comment on these on-going consultations.

Q: Will the President meet with Kozyrev today?

-- No.

WHITE HOUSE PRESS GUIDANCE -- 12:00 PM
THURSDAY, MAY 21, 1993

Department of Defense Readiness Review

Q: At a press conference yesterday, Secretary of Defense Les Aspin announced the formation of a board of retired generals and admirals that is tasked to look into the readiness of our armed forces. This is an area that has traditionally been the responsibility of the Joint Chiefs of Staff and the Service Chiefs. Why has Secretary Aspin decided to pull an "end run" on his active duty military leadership?

A:
- Secretary Aspin asked the Chairman of the Defense Science Board -- a Defense Department advisory group -- to organize a task force to advise the Secretary on the components of readiness that might be used as early warning indicators of a possible move toward "hollow forces." He also asked for an assessment of how well the Department can deal with readiness concerns and an assessment of the current readiness reporting system.

- This panel is not meant to "end run" the existing reporting system or to identify remedies for readiness shortfalls. The JCS and the Services are primarily responsible for training and equipping our armed forces. They will continue to be the source for readiness information and remedies.

- As Secretary Aspin noted, these panel members bring a unique perspective to this issue, since many of them were in senior leadership positions during the late 1970s and early 1980s when military readiness problems were most visible. They can use their experiences to highlight the interaction between supply, training and morale to help us avoid any repeat of this phenomenon during the current drawdown in the size of our military.

Q: Why did the Secretary of Defense decide to call in a group of outside consultants on this issue? Why not draw on the expertise of the active duty military leadership?

A:
- It is not unusual for the Defense Department, or other agencies, to ask outside consultants to provide insight into specific issues. For example, the Secretary of Defense recently received the report of another Defense Science Board panel, headed by Phil Odeen, on the question of Defense Management Reform savings.

- The extensive military experience represented in this panel makes it uniquely qualified to view the issue from an operational, rather than a purely administrative, perspective. They will be able to tie in the broader range of factors which have an impact on readiness, such as changes in the composition of the armed forces and career opportunities.

- This panel will also have the opportunity go beyond traditional DoD analyses to assess the impact of budgetary cuts, Administration policies, changing operational requirements and Congressional initiatives on the readiness of our armed forces.

DRAFT

FOR THURSDAY MORNING PRESS
URGENT ATTENTION
JAPAN POLICY LEAK

Q: Today's papers claim that the Clinton Administration will pursue a tough, managed trade strategy toward Japan. Won't this either be ineffective or set off a trade war?

A: As you know, President Clinton and Prime Minister Miyazawa agreed at their April 16 meeting to develop a new framework to address concretely their economic agenda.

-- The Administration is currently formulating its ideas on this framework. I obviously can't confirm or deny the substance of our internal deliberations, but we are busy preparing for these negotiations.

-- Before announcing anything officially, however, we will, of course, consult with Congress and the business community and Labor.

-- Once we have consulted properly, and the White House has made a decision we will want to brief you on more details of our approach.

<u>If Pressed:</u>

-- Of course we are concerned about Japan's large current account surpluses (Which have just become even bigger, US monthly numbers also announced as bigger). We are working multilaterally through the G-7 process and the Uruguay Round, and bilaterally to re-balance our economic relationship with Japan.

FOR YOUR INFORMATION ONLY

The WSJ obtained specific information about reducing Japan's current account surplus, increasing Japan's share of manufactured imports, and specific numbers attached to these goals. They also refer to 5 baskets of negotiations.

-- <u>**Do Not affirm**</u> the existence of either current account reduction or import increases as an explicit goal.

-- <u>**Do not affirm**</u> the existence of specific numbers attached to either of these goals or anything else.

New Base Closings

FYI:

On May 21 the Base Realignment and Closure Commission will hold a public hearing and vote on which bases to add for further study for potential realignment and closure. The Commission must publish additional bases it is considering in the Federal Register NLT June 2, and forward its decisions to the President NLT July 1.

C-SPAN will cover the May 21 Commission hearings and bases added for further review will be public knowledge immediately. The Saturday, May 22 headline will likely be "Base Closure Commission adds "X" Bases to List for Potential Closure.

The President plans a trip to New Hampshire area this week-end. It is possible that Portsmouth Naval facilities could be added to the Commission's list and generate local media reporting on the Commission's actions.

-- The Base Closure and Realignment Commission has been holding hearings and conducting visits around the country to review the Department of Defense recommendations. They will provide their recommendations to the President by July 1.

-- The Commission is required to publish in the Federal Register by June 2 any additional bases they want to formally consider for realignment or closing. Their decision to examine additional bases is part of their open and independent review.

-- By July 15, the President must either approve the Commission's recommendations and forward them to Congress, or return them to the Commission with his reasons for disapproval. If he returns the list, the Commission has until August 15 to resubmit. The President then has a final opportunity to approve the recommendations and forward them to Congress by September 1. Congress has 45 legislative days in which to pass a motion of disapproval by both houses or the Commission's recommendations become law.

FYI

TAB 4

IRAQ (SOUTHERN WATCH) – MAY 20, 1993

NEWS

SOUTHERN WATCH

- On three occasions between 17 - 19 May, U.S. aircraft reported observing ground tracer fire.
  - 17 May / 8:13 p.m. local (1:13 p.m. EDT): Two Navy F-14s from USS Nimitz reported observing searchlights coordinated with ground tracer fire from four separate locations.
  - 17 May / 8:20 p.m. local (1:20 p.m. EDT): the same F-14s from Nimitz reported seeing reddish-orange tracers followed by white airbursts.
  - 19 May / 12:40 a.m. local (5:40 p.m. 18 May EDT): Two F-15Es reported illumination by a spotlight with AAA fired along the searchlight's path.
- There was no damage to any U.S. aircraft.
- None of the F-14 crews made any defensive maneuvers. One F-15 crew dispersed chaff and banked away from the direction of the tracers.
- In each case, the tracer rounds dissipated at an altitude lower than the aircraft were flying.
- All the incidents took place south of the 32nd parallel over eastern Iraq.

EXERCISES

- Exercise Intrinsic Action 93-2 (U.S. / Kuwait)
  - As they prepare for redeployment, Intrinsic Action U.S. forces are conducting leader training with Kuwaiti land forces. Exercise hot wash scheduled for 21 May.

FYI

FYI

TAB 4

IRAQ (SOUTHERN WATCH) – MAY 20, 1993

TALKING POINTS

U.S. SORTIES

- 431 since last brief on Thursday, 13 May (daily totals ranging from 25 to 82). U.S. sorties grand total as of 19 May = 16,986

TROOP STRENGTH

- 23,887 (JTF SWA 22,274 / JTF Kuwait 1,613)
  - JTF SWA Troop Breakdown (Army 1,004 / Air Force 4,360 / Navy 14,647 / Marines 2,050 / JTF HQ 213)
  - JTF Kuwait Troop Breakdown (Army 1,431 / SOC 182)

SHIPS

- Red Sea = 4 (one cruiser, one destroyer, one frigate and one auxiliary)
- Persian Gulf / Gulf of Oman / Northern Arabian Sea = 17 (carrier Nimitz, four cruisers, one destroyer, two frigates, four amphibious ships, and five auxiliaries)

LAST SOUTHERN WATCH INCIDENT

- 26 April 93: EA-6B from USS Nimitz observed ground tracer fire and possibly a surface to air missile launch. The pilot dispensed chaff as a precautionary measure. There was no detection of any antiaircraft radar signals. The incident was assessed to be non-threatening to the aircraft.
- 23 Jan 93: A-6 drop of 1,000 pound laser guided bomb following AAA fire.

Source: CENTCOM/State/Navy
A/O: LCDR Gradisher

Anticipated British Vote on Maastricht Treaty

Q: What is the U.S. expectation regarding the anticipated vote by the British parliament on the Maastricht treaty?

A:
- -- The United States has consistently supported the process and objective of European integration since World War II.
- -- President Clinton underscored his strong personal support for European integration and the Maastricht process in his May 7 meeting with EC Council President and Danish Prime Minister Poul Nyrup Rasmussen and EC Commission President Jacques Delors.
- -- At the same time, decisions on the specifics and timing of how the European Community pursues integration is up to them. For this reason, it would be inappropriate for the United States to interfere in that process of democratic decision-making.

UN Peacekeeping/Bosnia

Q: What is Secretary Christopher discussing with Russian Foreign Minister Kozyrev today?

A: -- The discussion between Secretary Christopher and Minister Kozyrev will address a number of topics, but certainly the situation in Bosnia will be at the top of the list.

-- This dialogue is part of an on-going consultation with our allies and friends to develop a consistent response to the Bosnian crisis, and will be followed-up with meetings with British Foreign Secretary Hurd tomorrow and French Foreign Minister Juppe.

<u>Kuwait: Bush Assassination Attempt</u>

Q: Where does the trial of Iraqi suspects stand?

A: -- We understand that the Kuwaiti Attorney General had announced the trial will begin on June 5. There will be no US participation, but we will follow it very closely.

Q: <u>The New York Times</u> has reported that the FBI/Secret Service investigation has turned up solid evidence that the Iraqi team was, in fact, out to kill former President Bush. Can you confirm this information?

A: -- US law enforcement officials are continuing their investigation, with the cooperation of the Kuwaiti government. Until their investigation is completed, however, we are not prepared to comment.

Q: What will be the U.S. response if it is determined that the Iraqi government was involved in a plot to kill former President Bush?

A: -- No comment.

Surge in Trade Deficit

Q: The trade deficit rose to $10.2 billion in March, the largest in almost four years. Does this reflect badly on the Administration's trade policy?

A: -- We shouldn't try to read too much into a single month's statistics. To some extent, the trade statistics reflect the faster growth in the U.S. market compared with many of our principal trading partners. However, the persistent trade deficit reinforces our belief that we need a comprehensive approach to opening up foreign markets to U.S. exports.

<u>Cambodia</u>

Q: Will the Cambodian elections proceed as planned in view of the attacks on UNTAC personnel? What are we doing to improve the security of the UNTAC troops?

A:
- -- We are committed to holding the elections as scheduled in late May. We condemn the attacks on UNTAC personnel, but the international community will not be intimidated. The Khmer Rouge will be held fully responsible for its actions.
- -- The U.S., UN and the major troop-contributing countries in Cambodia are taking concrete steps to enhance the security of UN personnel. We have just sent three U.S. transport planes to Phnom Penh filled with urgently needed equipment, like body armor, helmets and medical supplies. In addition, Australia is sending six Black Hawk helicopters and 100 additional support troops, which the U.S. government will lift to Cambodia.

Q: Do we support the apparent decision by the United Nations to authorize actions by the Cambodian government against the Khmer Rogue in defense of the election process?

- -- We expect the Cambodian government and UNTAC troops to take all reasonable measures needed within the scope of their mandate to defend the election process.
- -- That mandate allows the UN soldiers to defend themselves and their mission with force when threatened.

China: MFN

Q: During the campaign, Bill Clinton spoke out on concerns over humans rights abuses and criticized the previous administration for coddling China. China's MFN treatment comes up for renewal in a couple of weeks or so, and Assistant Secretary of State Winston Lord said in Singapore yesterday that President Clinton will extend MFN for China. What is the Administration policy on this issue?

A: -- We have no interest in isolating China. China is changing rapidly and growing quickly, and we hope it will be a partner in building a more secure and prosperous world. But continued progress in our relations must include progress in human rights, trade access and non-proliferation.

-- As we chart our China policy, the President is consulting closely with key members of Congress, including on the issue of MFN.

Q: What is your reaction to the news that the Chinese rebuffed Lord during his recent trip?

A: -- Ambassador Lord met with senior Chinese officials for two days of frank discussions in Beijing earlier this week. He pressed for additional progress in the areas of human rights, trade and nonproliferation.

-- We expect Ambassador Lord to return shortly, and I would withhold characterizing his finding until he has provided his full report.

Q: Does the Administration support the China MFN bill introduced in Congress by Pelosi and Mitchell, including the provision on Tibet?

A: -- We share the concerns of Congress over China's record. We share with a majority in Congress the belief that progress in our relations must include progress in human rights, trade and non-proliferation.

-- As to the issue of Tibet, we continue to urge Beijing to revive discussions with the Dalai Lama and to address the full range of concerns and issues of the people of Tibet, including human rights abuses.

Q: Will the Administration you place conditions on MFN through an Executive Order?

A: -- The President has not yet taken a decision. Our approach to MFN renewal will depend on steps the Chinese government takes to address the important issues of human rights proliferation and trade.